

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 COME-00 EB-11 LAB-06 SIL-01 OMB-01 AF-10

SAM-01 CIEP-03 TRSE-00 DRC-01 /135 W

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R 141013Z AUG 74

FM AMEMBASSY LISBON

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DEPARTMENT PASS COMMERCE

E.O. 11652: N/A

TAGS: ELAB, PINT, PO

SUBJ: APPLIED MAGNETIC PORTUGAL

REFS: (A) LISBON 3141; (B) LISBON 3373

SUMMARY: THE CASE OF APPLIED MAGNETICS CONTINUES TO DRAW PUBLIC ATTENTION, INCLUDING WORKER DEMONSTRATIONS AND A COMMUNIST PARTY COMMUNIQUE. THE GOP HOPES THAT THE COMPANY WILL RELIEVE IT OF A THORNY PROBLEM BY PROMPTLY PAYING OFF ITS OBLIGATIONS TO WORKERS AND CREDITORS AND QUICKLY WINDING UP ITS AFFAIRS. ACCORDING TO THE MINISTRY OF LABOR, APPLIED MAGNETICS HAS INDICATED IT IS CONSIDERING DOING SO BUT HAS NOT COMPLETELY ABANDONED THE ALTERNATIVE OF DECLARING BANKRUPTCY. IT IS THE GENERAL BELIEF OF GOP OFFICIALS, LEGAL EXPERTS, AND AMERICAN AND FOREIGN BUSINESSMEN THAT APPLIED MAGNETICS WOULD DO ITSELF AND OTHERS A DISSERVICE BY ATTEMPTING PROLONGED BNKRUPTCY PROCEEDINGS, WHICH ARE BOUND TO ATTRACT UNFAVORABLE PUBLICITY

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AND WHICH COULD EVEN SUBJECT THE COMPANY TO CRIMINAL

CHARGES. END SUMMARY.

1. APPLIED MAGNETICS PORTUGAL (AMP) AND ITS PARENT COMPANY (AMC) CONTINUE TO MAKE THE NEWS. ON FRIDAY, AUGUST 9, THE PRESS GAVE EXTENSIVE COVERAGE TO A COMMUNIQUE FROM AMP WORKERS EXCORIATING THE ACTIONS OF THE COMPANY AND CALLING UPON FELLOW WORKERS TO LEND THEM ASSISTANCE. ALSO PUBLISHED WERE PICTURES OF GROUPS OF AMP WORKERS BEARING PLACARDS AND SOLICITING MONEY AT STREET CORNER LOCATIONS.

2. ON MONDAY AUGUST 12 THE PORTUGUESE COMMUNIST PARTY (PCP) CHIMED IN BY ISSUING A COMMUNIQUE OF ITS OWN THAT CALLS FOR WORKER SOLIDARITY AND ASSISTANCE TO AMP WORKERS. THE PCP ALSO EXHORTED THE GOVERNMENT TO TAKE ENERGETIC AND URGENT MEASURES AND ENDED WITH A DECLARATION THAT THIS REACTIONARY BLOW CAN BE TRANSFORMED INTO YET ANOTHER VICTORY OF THE WORKERS.

3. A GOVERNMENT ANNOUNCEMENT, REPORTED IN THE PRESS AUGUST 13, STATES THAT THE MINISTRY OF LABOR HAS AUTHORIZED THE CAIXA DE PREVIDENCIA (SOCIAL WELFARE FUND) TO GIVE EACH AMP WORKER 1,650 ESCUDOS(DOLS 66) TO HELP THEM MEET THEIR PRESENT DIFFICULTIES. THE ANNOUNCEMENT ALSO SAYS THAT PUBLIC SOLICITING FOR HELP BY AMP WORKERS WILL END ON SATURDAY, AUGUST 16.

4. ON AUGUST 9 WE OBTAINED ANOTHER OFFICIAL REACTION TO THE AMP EPISODE. MINISTER OF FINANCE CHEF DE GABINETE, WHO HELPED ARRANGE THE GOVERNMENT'S OFFER OF FINANCIAL ASSISTANCE TO AMP (SEE REF A), TOLD US PRIVATELY HE THOUGHT AMP MANAGER HAD ACTED IRRESPONSIBLY BY LEAVING PORTUGAL AND LEAVING NO ONE BEHIND WITH LEGAL AUTHORITY TO SPEAK AND ACT FOR THE COMPANY. CHEF DE GABINETE BELIEVES THAT AMP MIGHT HAVE BEEN ABLE TO GET BETTER FINANCIAL TERMS FROM THE GOVERNMENT HAD IT CONTINUED NEGOTIATIONS WITH FINANCE AND TREASURY. HE CONCEDED, HOWEVER, LIMITED OFFICIAL USE

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THAT THE GOP WAS FEARFUL OF SETTING PRECEDENT OF LIBERAL TERMS THAT MIGHT BE USED AGAINST THE GOVERNMENT BY PORTUGUESE FIRMS SEEKING HELP.

5. ON AUGUST 13 WE RECEIVED ANOTHER ACCOUNT SIMILAR TO PARA 4 FROM LABOR MINISTRY OFFICIAL WHO HANDLES LABOR-MANAGEMENT DISPUTES. HE ALSO TOLD US AMC HAD RECENTLY INFORMED IMINISTRY THAT

IT WAS DISPOSED TO SEND TO PORTUGAL 10,000 CONTOS (DOLS 400,000) WHICH AMC OWES TO AMP FOR PREVIOUSLY DELIVERED GOODS IF THE GOP WILL GUARANTEE SECURITY OF PLANT AND EXPORT OF MACHINES AND EQUIPMENT TO U.S. MINISTRY OFFICIAL DID NOT KNOW WHETHER DOLS 400,000 WOULD COVER ALL OF AMP'S OBLIGATIONS, BUT HE DOES BELIEVE THAT IT WOULD BE IN THE INTEREST OF AMC'S GOOD NAME -- AND THE GOOD NAME OF U.S. ENTERPRISES GENERALLY-IF IT DID PAY ITS DEBT WITHOUT RESORTING TO BANKRUPTCY PROCEEDINGS. HE ALSO FEELS STRONGLY THAT AMC SHOULD SEND SOMEONE TO PORTUGAL EMPOWERED TO ACT FOR THE COMPANY AND TO END THE MATTER AS SPEEDILY AND AMICABLY AS POSSIBLE.

6. COMMENT: NO ONE WE HAVE TALKED TO HAS NAY FURTHER HOPE THAT AMP MIGHT CONTINUE ITS OPERATIONS IN PORTUGAL. EVERYONE, HOWEVER, WOULD LIKE TO SEE THE EPISODE TERMINATED AS QUICKLY AND CLEANLY AS POSSIBLE: WORKERS AND CREDITORS WANT THEIR MONEY; THE GOVERNMENT WANTS TO RID ITSELF OF A THORNY PROBLEM, WHICH THE LEFT IS CAPITALIZING ON FOR PROPAGANDA PURPOSES; AND OTHER AMERICAN FIRMS WANT TO AVOID ADVERSE PUBLICITY FOR U.S. FIRMS GENERALLY. THERE IS ALSO GENERAL AGREEMENT THAT BANKRUPTCY WOULD BE A DRAWN OUT, UNTIDY PROCEDURE, IN WHICH THE GOVERNMENT MIGHT BRING CRIMINAL CHARGES AGAINST THE COMPANY. (ACCORDING TO ONE LEGAL OPINION, A COMPANY CANNOT GO INTO LEGAL BANKRUPTCY IF, AS IN THE CASE OF AMP, ALL PERSONS LEGALLY EMPOWERED TO SPEAK FOR THE FIRM HAVE ABANDONED THE COUNTRY.) WITHOUT EXCEPTION, OUR CONTACTS, INCLUDING NON-U.S. FOREIGN BUSINESSMEN, BELIEVE THAT IS THE INTEREST OF ALL, INCLUDING AMC, FOR LIMITED OFFICIAL USE

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THE COMPANY TO MEET ITS FINANCIAL OBLIGATIONS QUICKLY AND WIND UP ITS AFFAIRS WITHOUT DELAY.
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